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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-12 FRB-01 INR-07 IO-14 NEA-10 NSAE-00 USIA-15
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USOECD

DEPTPASS COMMERCE BDC/LC PETERSON; EAD DAS HAUSNER

E.O. 11652 N/A
TAGS: EIND, OECD
SUBJECT: INDUSTRY COMMITTEE MEETING, NOV. 22-24, 1977

REF: PARIS 19652

1. SUMMARY. THIRTY-FOURTH SESSION OF INDUSTRY COMMITTEE WAS PRODUCTIVE FROM US POINT OF VIEW. BROAD STUDIES ON EMPLOYMENT PROBLEMS, THE INDUSTRIALIZATION PROCESS IN LDC'S AND FUTURE INDUSTRIAL STRUCTURE CONTINUE. HOWEVER, THE US. INTITIATVE ON INVESTMENT HAS NOT YET WON ENDORSEMENT OF THE COMMITTEE. THIS, INSPITE OF THE FACT THATCOMMITTEE UNANIMOUSLY AGREED THAT THE MOST SERIOUS ECONOMIC QUESTIONS FACING MEMBERS ARE EMPLOYEMENT, INVESTMENT, ANDWORLD-WIDE LACK OF DEMAND. END SUMMARY.

2. INDUSTRY COMMITTEE CHAIRMAN WOODS (AUSTRALIA) OPENED 34TH SESSION OF THE IC WITT REQUEST THAT MR. ESPER
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(FRANCE) AND MR TSUKUDA (JAPAN) BE ALLOWED TO REPLACE MEMBERS OF THIR RESPECTIVE DELEGATIONS WHOHAVE LEFT THE ENLARGED BUREAU. THE MEASUEWAS APPROVED WITHOUT COMMENT.

3. ANNUALPERSPECTIVE REVIEW. MR OXLEY OF THE SECRETARIAT ECONOMICS AND STATISTICS DIRCTORATE BEGAN SUBSTANTIVE

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DISCUSSIONS WITH A REVIEW OF RECENT TRENDS IN
INDUSTIAL ECONOMIES. THE VIEW REMAINS PESSIMISTIC.
OXLEY SAID SECRETARIAT'S GNP GROWTH FORECASTS ARE 3.5
PERCENT FOR 1977 AND THE FIRST HALD OF 1978. GROWTH
IN THELAST HALF OF 1978 IS PROJECTED AT 3.0 PERCENT.
ON UNEMPLOYMENTOXLEY ADDED THERE WAS NO PROSPECT OF
MOVING THE SEVEN MAJOR ECONOMIES TO FULLEMPLOYMENT
BEFORE 1981. LENTHY PRESENTATIONS BY MEMBERS SUPPORTED
SECRETARIAT VIEW TTAT THE TWO MAIN PROBLEMS ARE EMPLOYMENT
AND INVESTMENT.

4. EMPLOYMET PROBLEMS AND INDUSTRIAL POLICY.
THE COMMITTEE EXAMINED SECRETARIAT'S DRAFT ADCONCLUDED
TAT BECAUSEOF UNCERTAINTY IN TTEINDUSTRIAL OUTLOOK,
BUSINESS IS BECOMING MORE AND MORE RISK AVERSE. THIS
RESULTS IN CAPITAL DEEPENINGRATHER THAN JOB CREATION.
SEVERAL DELEGATIONS EXPRESSED THE FEAR THAT THIS PROBLEM
MAY NOT BE SOLVED IN THE SHORTRUN ANDNEW,
STRUCTURAL APPROACHES MIGHTBE NECESSARY. U.S. DEL
POINTED OUT THAT THIS APPROACH HAS PITFALS, PARTICULARLY
SHIFTING WORKERS FROM PUBLICLY SUPPORTED EMPLOYMENT
PROGRAMS INTO JOBS IN THE PRIVATE SECTOR. THE SECRETARIAT WILL
EXAMINE THE STTRUCTURAL ASPECTS OF UNEMPLOYMENT IN GREATER DETAIL
AND WILL CIRCULTATE A DAFT TO MEMBERS
IN EARLY JANUARY. IF THEDRAFT PROVES SATISFACTORY,
THE SECRETARIAT PROPOSES THAT THE FINALPAPER
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BY PROVIDED TO THE MANPOWER AND SOCIAL AFFAIRS COMMITTEE.

5. INDUSTRIALIZATION PROCESS IN DEVELOPING COUNTRIES.
MEMBERS GENERALLY AGREED THAT THE PROBLEM IS COMPLEX AND
BECOMES MORE DIFFICULTWITH TIME. BELGIAN DEL (MME
ROLAND) INDICATED THAT LDC'S OFTEN WANT ACCESS TO MARKETS
IN ADDITION TO TECHNOLOGY. THE QUESTION THEN BECOMES
WHAT FORMS OF PRODUCTION ARE LEFT FOR DC'S. IC
DECIDED TO REVISE SCOPEOF NORWEGIAN PROPOSAL THAT
COMMITTEE STUDY ANDPRODUCEGUIDELINES FOR RESTRUCTURING
INDUSTRY IN DEVELOPING COUNTRIES. COMMITTEAGREED
TO OMIT REFERENCE TO GUIDELINES, AND SUGGESTED FURTHER
DISCUSSIONS. NORWEGIAN DEL (GOETHE) NOTED, IN PASSING,
THAT THE "PROBLEM WILL BE WITH US FOR A LONG TIME."

6. FUTURE INDUSTRIAL STRUCTURES.
AD HOC GROUP CHAIRMAN (NANCY FRL. REPORTED ON DRAFT REPORT
AND CONCLUSIONS. GROUP APPROVED PUNLICATION OF CONCLUSIONS
AND CIRCULATION ON FULL REPORT AND ANNEXES
AMONG OTHER OECD COMMITTEES. FUTURE WORK WILL BE DISCUSSED
AT THE AD HOC GROUP MEETING IN FEBRUARY FOR
SUBSEUQENT DISCUSSION BY APRIL, 1978 IC MEETING.

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7. INVESTMENT.
GERMAN DEL (BUCHNER-SCHOFF) RETITERATED THAT FRG WAS
NOT IN A POSITION TO SUPPORT U.S. INITIATIVE ON INDUSTRIAL
INVESTMENT(REFTEL). THIS, IN SPITE OF FACT
THAT GERMAN AND OTHER DELS RPEATEDLY CALLED
INVESTMENT ONE OF QUOTE KEY QUESTIONS UNQUOTE FACING
THE INDUSTRIALIZED ECONOMIES. ONLY THE U.S., FRANCE,
NORWAY, AND BELGIUM FULLY SUPPORTED INVESTMENT STUDY.
CHAIRMAN WOODS SHOUGHT MIDDLE GROUNDBY ALLOWING FIRST
PHESEOF THE WORK TO CONTINUESN AND CALLED FOR THE IC
TO DISCUSS TTEITIAL REPORT IN APRIL.

8. NEXT MEETING OF THE INDUSTRY COMMITTEE IS SCHDULED
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FOR APRIL3-6, 1978
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